

lender from taking action against a borrower due to any act or omission on the part of the borrower which, by the terms of a note, mortgage, or other loan document, would allow the lender to declare a loan in default, nor to take action to minimize the loss on a loan.

**§ 103.48 Title to property purchased with loans.**

Title to personal property purchased with a guaranteed or insured loan shall be taken in the name of the borrower without a restriction against alienation. Title to land purchased with a guaranteed or insured loan may be taken pursuant to § 103.3. Transactions involving taking title to land purchases in trust or restricted status require approval of the Commissioner.

**§ 103.49 Fraud or misrepresentation.**

(a) Lenders shall use prudence in checking and verifying information contained in loan applications as well as supporting papers and documents in order to assure their accuracy and the validity of signatures.

(b) There shall be no liability on the part of the United States to reimburse an insured lender for that portion of an insured loss on a loan caused by:

(1) The lender's negligence in checking and verifying signatures, information in the loan application, supporting papers and documents;

(2) The lender's furnishing false information to induce the issuance of an insurance agreement by the Commissioner;

(3) The lender's furnishing false information in a loan docket on a loan made under the provisions of a general insurance agreement issued by the Commissioner; or

(4) The lender's willful or negligent action which resulted in a fraud, forgery or misrepresentation.

(c) There shall be no liability on the part of the United States to reimburse a lender on a guaranteed loan for that amount of the guaranteed loss caused by:

(1) The lender's negligence in checking and verifying signatures, information in the loan application, supporting papers and documents;

(2) The lender's furnishing false information to induce the issuance of a guaranty certificate by the Commissioner; or

(3) The lender's willful or negligent action which permitted a fraud, forgery or misrepresentation.

A reduction will not be made in the amount of reimbursement on a guaranteed loss to a purchaser, assignee, or transferee who acquired the loan before maturity for value and did not directly or by agent participate in or have prior knowledge of a fraud, forgery or misrepresentation.

**§ 103.50 Loan guaranty and insurance fund.**

(a) The loan guaranty and insurance fund shall be utilized for all loan guaranty and insurance operations pursuant to the regulations in this part 103. All receipts from operations including premium charges shall be deposited in this fund. All disbursements incident to administering guaranteed and insured loans shall be made from this fund. All cash, claims, notes, mortgages, contracts, and property acquired by the Secretary under this part 103 shall constitute assets of the fund. All liabilities and obligations of such assets shall be liabilities and obligations of the fund.

(b) The Commissioner will design an accounting system that will reflect at all times the financial condition of the fund and the results from its operation.

(c) Interest subsidies paid by the Commissioner pursuant to § 103.42 shall be paid from the loan guaranty and insurance fund and charged against an "interest subsidy account" as an expense of the fund.

**§ 103.51 Sale or assignment of guaranteed loans.**

Any guaranteed loan, including the security and guaranty certificate, may be sold to any person. The person acquiring the loan shall notify the Commissioner in writing with 30 days after acquisition. The notice will give the name of the borrower, the certificate number, the amount of principal and interest unpaid on the loan, and the security acquired. Failure of the acquirer to notify the Commissioner within 30 days of acquisition will void the guaranty unless the Commissioner authorizes an exception because of extenuating circumstances.

[40 FR 12492, Mar. 19, 1975. Redesignated at 47 FR 13327, Mar. 30, 1982, as amended at 57 FR 46475, Oct. 8, 1992]

**§ 103.52 Records.**

Lenders will maintain adequate records on guaranteed and insured loans made and will submit reports to keep the Commissioner informed regarding guaranteed and insured loans made. The Commissioner may prescribe the number of reports to be submitted annually, the dates, and the forms to be used for reporting. The Commissioner may have the records of lenders inspected at any reasonable time during regular business days and hours.

**§ 103.53 Suspension of lenders.**

Whenever the Commissioner finds that any lender or holder of a guaranty certificate or insured loan fails to maintain adequate accounting records, to demonstrate proper ability to adequately service loans guaranteed or insured, or to exercise proper credit